

Message Text

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ACTION ARA-14

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 5518

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E.O. 11652: N/A

TAGS: EFIN, PE

SUBJECT: PERU NEARS STANDBY AGREEMENT WITH IMF

REF: LIMA 5373

1. EMBASSY'S ECONOMIC COUNSELOR SPOKE DURING AFTERNOON JULY 1 WITH CARLOS SANTISTEVAN, PRESIDENT OF BANCO CENTRAL DE LA RESERVA, WHO HAS BEEN ACTIVE IN GOP NEGOTIATIONS WITH IMF TEAM HERE RECENTLY (REFTEL). SANTISTEVAN SAID THAT VERY CONSIDERABLE PROGRESS HAS BEEN MADE TOWARD THE CONCLUSION OF A STANDBY AGREEMENT, AND THAT REMAINING MAJOR POINT OF DIFFERENCE WAS SO WELL DEFINED THAT FINAL NEGOTIATIONS COULD BE HANDLED BY CABLE. ACCORDINGLY, HE ADDED, IMF TEAM IS RETURNING TO WASHINGTON ON JULY 2. IF FINAL POINT SUCCESSFULLY RESOLVED, STANDBY COULD BE SIGNED IN ABOUT TEN DAYS, SANTISTEVAN CONCLUDED. MEANWHILE HE AND THE GENERAL MANAGER OF BANCO DE LA NACION, HERNAN BARRETO, ARE OFF ON A FIVE-DAY TRIP TO EUROPE FOR UNDISCLOSED PURPOSES.

2. EARLIER IN THE DAY, ECON OFF LEARNED FROM GOOD SOURCE WITHIN THE MINISTRY OF ECONOMY AND FINANCE THAT GOP AND IMF ARE VERY NEAR AGREEMENT ON CONDITIONS FOR STANDBY. ONLY IMPORTANT ISSUE REMAINING, ACCORDING TO THAT SOURCE, IS AMOUNT

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OF PUBLIC SECTOR DEFICIT TO BE PERMITTED IN 1977, WITH GOP COUNCIL OF MINISTERS AGREEABLE TO HOLDING DEFICIT TO 32.5 BILLION SOLES, WHILE IMF TEAM IS PRESSING HARD FOR 30 BILLION SOLES (\$376 MILLION) LIMIT. MINISTER OF FINANCE WALTER PIAZZA HAS BEEN ARGUING FORCEFULLY THAT GOP LEADERSHIP WILL NOT BUDGE FROM 32.5 BILLION SOLES FIGURE, WHILE IMF TEAM LEADER LINDA KOENIG HAS HELD FIRMLY TO 30 BILLION

SOLES GOAL. SOURCE REPORTED THAT IMF AND GOP NEGOTIATORS TOOK MATTER TO SENIOR IMF OFFICIAL (WALTER ROBICHEK) WHO CAME UP WITH COMPROMISE SOLUTION: SET CENTRAL GOVERNMENT DEFICIT AT 32.5 BILLION SOLES PER THE WISHES OF THE GOP COUNCIL OF MINISTERS, BUT TRIM EXPENSES OF PUBLIC SECTOR ENTERPRISES (SUCH AS PETROPERU AND AEROPERU) SO THAT IN TOTO THEY SHOW 2.5 BILLION SOLES IN NET RECEIPTS (*) THIS PROPOSAL WILL BE TAKEN TO COUNCIL OF MINISTERS ON OR BEFORE JULY 5, WE WERE TOLD. IF COUNCIL OF MINISTERS REFUESES ROBICHEK COMPROMISE, THEN MINISTER OF FINANCE PIAZZA WILL TO WASHINGTON IN FINAL ATTEMPT TO SELL 32.5 BILLION SOLES DIFICIT FIGURE TO TOP IMF OFFICIALS LATE NEXT WEEK.

3. PLEASE ADVISE US IF YOU DEVELOP ANY INFORMATION ON THIS MATTER.

SHLAUDEMANN

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